City of Chandler Economic Development Division 2nd Quarter Report

Fiscal Year 2004-2005



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1.0 INTRODUCTION

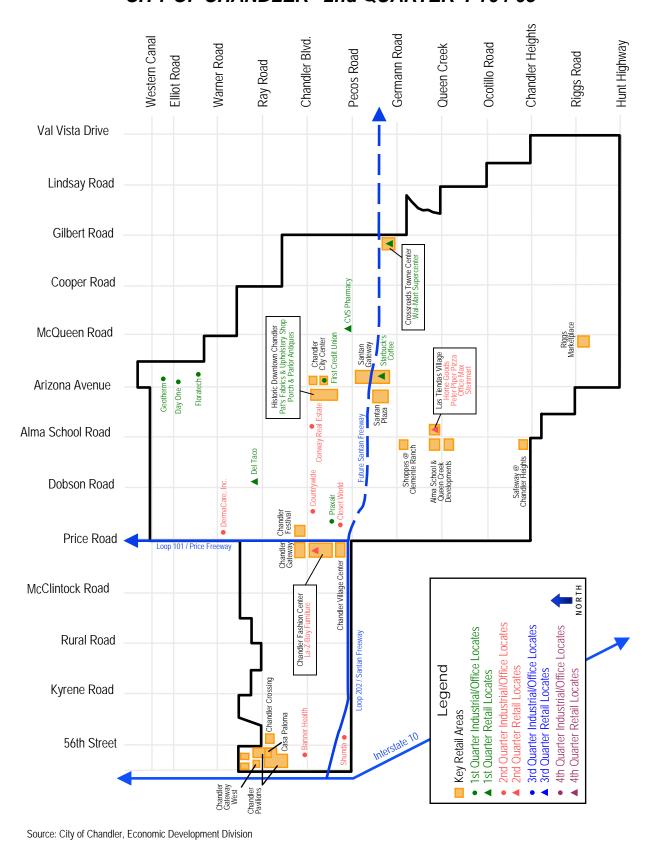
Indicators show that the economy continues to improve. Nationally, retail sales experienced the strongest holiday growth since 1999, according to the National Retail Federation. The Phoenix Metropolitan area shows approximately a 10% positive change in retail sales over last year. Arizona job growth is one of the highest in the nation, with the fastest growing sectors being construction, professional and business services, and financial services. This is expected to continue into 2005 where the local economy should also see stabilization and modest growth in the manufacturing sector. Large population gains and the booming real estate market have been major drivers in the economy, and that market may slow in the coming year. It is important that Chandler continue to invest in growing and diversifying its industry base, including biosciences. With new initiatives in Arizona, including the Translational Genomics Research Institute, new industries will emerge as drivers for the future economy.

For the quarter ending December 31, 2004, Economic Development staff identified 73 leads, 45 prospects and 14 new or expanding business locates. This new investment resulted in an estimated 675 jobs, occupied approximately 323,878 square feet of space and generated more than \$17 million in new capital investment.

Staff attended the 2004 ICSC Western Regional Conference in Palm Springs, California during the second quarter, making direct contact with over 30 retailers, brokers and developers. Staff also attended the National Business Aviation Association trade show this quarter, specifically marketing the Chandler Airpark area. Staff also continues to aggressively market Historic Downtown Chandler businesses and events. An updated version of the Business Directory for Historic Downtown Chandler was distributed this quarter, and a modified version of the directory was developed as an ad that appears monthly in the Ocotillo News. Staff also participated in five tourism sales missions, attended the Arizona Office of Tourism's *Arizona Showcase* in Hermosillo, Mexico and generated 6,248 tourism leads.

KEY RETAIL PROJECT DEVELOPMENT AREAS & RETAIL & INDUSTRIAL / OFFICE LOCATES CITY OF CHANDLER -2nd QUARTER FY04-05







2.0 RETAIL DEVELOPMENT

RETAIL MARKETING ACTIVITIES

Economic Development staff identified 22 new retail leads, 17 new prospects and 5 retail locates during the 2nd quarter. This activity resulted in the creation of 155 new jobs and the occupancy of 116,228 square feet of retail space. Economic Development staff estimates that several hundred thousand square feet of new retail space will be added in Fiscal-Year 2004-2005. These locates will include new retailers to Chandler in the furniture, wholesale/discount, specialty grocer, and automotive industries.

The following lists specific retail development activities during the 2nd quarter:

ICSC Western Regional Conference: Economic Development staff and the Downtown Coordinator attended the 2004 ICSC Western Regional Conference in Palm Springs, California during the second quarter. Staff exhibited at the leasing mall during the show with over 2,500 in attendance and sold out booth space. Staff made direct contact with over 30 retailers, brokers and developers and are currently working with a number of these contacts on potential development and redevelopment projects.

Commercial Reinvestment Program: Economic Development and Planning and Development staff reviewed and evaluated applications during the quarter. The following agreements are in the process of being finalized and are to be recommended to City Council next quarter:

- SWC of Dobson and Elliot Roads 20,774 sq. ft. shopping center currently under renovation. City participation includes landscaping, lighting, and signage.
- 2) 345 S. Arizona Avenue 2,400 sq. ft. multi tenant building south of the SWC of Arizona Avenue and Frye Road. Building is over 50 years old. City participation includes façade renovation, signage, architectural and development fees, and landscaping.
- 3) SWC of Alma School and Ray Roads 95,500 sq. ft. shopping center. Largest shopping center to be recommended for the Commercial Reinvestment Program representing four different ownerships requiring four different agreements. City participation includes complete façade renovation of all inline anchors and shops. In addition, major improvements to landscaping and signage is also planned.

Broker / Developer Presentation Program: Staff continued to network with commercial brokers and developers during the 2nd quarter. This proactive program is designed to allow Economic Development personnel to meet with real estate



professionals to update demographic and development trends in Chandler and describe services offered by the Division. The program also allows staff to refine the type of data and resources brokers and developers need to better facilitate the attraction of quality stores, restaurants and hotels to Chandler.

Retail Database: Staff continues to work with data providers to obtain current demographic and economic data. These efforts aid Economic Development staff in identifying areas with specific retail gaps, assisting in retail target marketing, providing linkages to key census information and assisting in presenting retail sites. Furthermore, staff tracks all existing retail centers and tenants, including projects under-construction or planned, and updates data sets as construction permits are pulled and tenants are acquired.

RETAIL PROJECTS

Staff continued to work with the following major retail developments during the quarter.

- Chandler Pavilions (SEC of Ray Road & I-10 and NWC of Ray Road & 56th Street)
- Chandler Festival (NEC of Chandler Blvd. & Price Road)
- Chandler Fashion Center (SWC of Chandler Blvd. & Price Road)
- Chandler Village Center (SEC Chandler Village Drive & Frye Road)
- Crossroads Towne Center (NWC of Gilbert & Germann Roads)
- Santan Plaza (NWC of Arizona Avenue & Willis Road)
- Santan Gateway (NEC of Arizona Avenue and Willis Road and SEC of Pecos Road and Arizona Avenue)

Chandler Pavilions

Economic Development Division staff remains in contact with the developers of the Chandler Pavilions development located at the southeast corner of Ray Road & Interstate 10. Pads and shops are available at this development.

Chandler Festival, Chandler Fashion Center, and Chandler Village Center Staff continues to work with Westcor on prospects at the Chandler Festival Power Center, Chandler Fashion Center and the new Chandler Village Power Center, marketing each property as key retail locations.

The Chandler Fashion Center continues to attract quality restaurants and retailers. Firebird Rocky Mountain Grill opened its 6,950 square foot restaurant during the quarter on the parcel directly south of the Elephant Bar restaurant along Chandler Boulevard. Future development will include two upscale furniture retailers. LA-Z-Boy furniture broke ground last quarter on the parcel just east of Rock Fish Seafood Grill. Another furniture retailer is expected to start construction next quarter on the parcel behind Wells Fargo Bank.



Chandler Festival, the 537,000 sq. ft. power center at the northeast corner of Chandler Boulevard and the Price Freeway is completely leased-out. All of the pads along Chandler Boulevard are completed and open for business.

Chandler Village Center is located south of the mall, and anchored by Target Greatland. At the southeast corner of Galleria Way and Chandler Village Drive (directly south of Target) Costco Wholesale is planning a location. The store is planned to open in the fall.

Crossroads Towne Center. Staff is currently working with Vestar Development on the marketing of a 700,000 sq. ft. power center to be located at the northwest corner of Germann and Gilbert Roads. A Wal-Mart Supercenter in under construction at this development and several other stores have submitted plans to the City and are expected to break ground next quarter.

Santan Plaza. Kohl's department store is the anchor at this shopping center. The center, located at the NWC of Arizona Avenue and Willis Road (future SWC of Arizona Avenue and Santan Freeway) will eventually house over 123,000 sq. ft. of retail space.

Santan Gateway. Diversified Partners is constructing a 547,000 sq. ft. power center at the northeast and southeast corners of Arizona Avenue and the future Santan Freeway (currently the southeast corner of Arizona Avenue and Pecos Road and the northeast corner of Arizona Avenue and Willis Road). The Wal-Mart Supercenter and Sam's Club sites are currently under construction. Wal-Mart will anchor the northeast corner and Sam's Club will anchor the southeast corner. Planned openings are late Spring 2005.



RETAIL LEADS, PROSPECTS AND LOCATES

For benchmarking purposes, Economic Development staff defines leads as businesses recruited or contacted that express an interest in Chandler. Prospects are businesses working with staff to evaluate specific locations. Locates are defined as projects that the Economic Development Division assisted during the site selection and development process. To qualify, the business must obtain a building permit, sign a lease on a site or add employees. The following tables represent 2nd quarter numbers and fiscal year numbers to date for the retail recruitment program.

Retail Leads 2nd Quarter FY 04-05

Leads	YTD Contacts	2 nd Quarter Contacts
TOTAL LEADS	44	22
Restaurant	7	2
Hotel	2	0
Grocery / Food	4	3
Specialty Retail	13	9
Big Box Retail	5	1
Amusement / Entertainment	3	3
Gas	0	0
Auto Dealer	7	2
Storage	0	0
General	3	2

Retail Prospects 2nd Quarter FY 04-05

Prospects	YTD Contacts	2 nd Quarter Contacts
TOTAL PROSPECTS	32	17
Restaurant	8	3
Hotel	3	2
Grocery / Food	1	1
Specialty Retail	7	3
Big Box Retail	2	1
Amusement / Entertainment	4	2
Gas	0	0
Auto Dealer	7	5
Storage	0	0
General	0	0



Retail Locates 2nd Quarter FY 04-05

Name	Use	Locate Quarter	Estimated Employment	Estimated Square Feet
Chandler Fashion Center LA-Z-Boy Furniture	Big Box Retail	2 nd	20	25,704
Chandler Village Center				
Crossroads Towne Center Wal-Mart Supercenter	Big Box Retail	1 st	525	203,091
Las Tiendas Village Home Goods Peter Piper Pizza Office Max Steinmart	Big Box Retail Restaurant Specialty Retail Big Box Retail	2 nd 2 nd 2 nd 2 nd	25 30 30 50	25,818 8,879 20,706 35,121
Santan Gateway Starbucks Coffee	Restaurant	1 st	25	3,941
Other Developments CVS Pharmacy Del Taco	Specialty Retail Restaurant	1st 1st	10 40	13,013 4,500
Commercial Reinvestment Projects				
2 nd QTR TOTAL			155 Jobs	116,228 S.F.
FY 04-05 TOTAL			755 Jobs	340,773 S.F.

Source: City of Chandler, Economic Development Division



3.0 INDUSTRIAL/OFFICE DEVELOPMENT

Industrial / Office Activities

Economic Development staff assisted 51 leads, 16 prospects, and six locates during the 2nd quarter of FY 04-05. Locates for the 2nd quarter include Countrywide Financial Services-Phase II, DermaCare, Closet World, Shunda Home Furnishing, Conway Real Estate and Banner Health, which all moved into existing space in Chandler. Staff assisted in the creation of an estimated 520 jobs, occupancy of nearly 207,650 square feet of space and a projected capital investment of \$17,259,430.

The following lists specific industrial/office activities for the 2nd quarter:

Chandler Airpark Marketing: Staff attended the National Business Aviation Association trade show during October in Las Vegas for the 5th consecutive time. Attendance at the show topped 30,000, with those in attendance representing the largest group of business aviation companies in the world. Staff worked diligently with Airport staff, and with landowners and their broker representatives to make sure that all sites are properly represented with marketing efforts. Many companies scheduled time to visit the Chandler booth to find out additional information about the market and future development, as well as information on current and future Request for Proposals (RFP's) that may be issued. Contacts from the trade show include two development companies and one helicopter related company with whom staff has recently met, and now continue to work with as potential development opportunities for the airport/airpark. Staff also made contact with a nationally recognized aviation site selection company who now has our market on their "radar screen".

Staff also completed a direct mail campaign at the close of the trade show to provide those showing interest in our market with additional information and will continue to follow-up with these companies.

Staff continued to tour developers and brokers through the airport area this quarter, with one of these companies now closing on a 55-acre land site. Staff worked with First Industrial's representatives and brokers to assist the company in making an informed site selection decision. First Industrial, a nationally recognized industrial developer, now plans on constructing a business park at the southwest corner of Stearman & Germann, along the northern end of the runway. This speculative business park, which already has its zoning from a previous zoning case, now allows staff the opportunity to fully market the area to companies requiring sites quickly.

The rapidly approaching completion of the Santan / Loop 202 Freeway continues to drive interest and land prices in the airpark area. At this time, staff is working closely



with two master planned business parks planned in the area totaling more than 330 acres that will bring significant development opportunities to the airpark area during the next three years. The anticipation of Crossroads Towne Center, which will bring major employee amenities to the area, is also driving interest in the market.

Cardinal Health, a Fortune 100 medical distribution company, recruited by Economic Development, has now received a positive outcome on their rezoning application and continues to work with Plan Review staff on construction documents for their project at the northwest corner of Stearman and Ryan Roads. It is anticipated that this 300,000 square foot project will bring nearly 300 jobs to the area and should be under construction by late spring.

Economic Development staff made a formal presentation to the Airport Commission at their monthly meeting. The presentation was well received and staff was asked to come back each quarter to give a formal update on development opportunities in the area.

Genome Consortium: Staff continues to work in partnership with ADOC to facilitate recruitment efforts for the biotechnology industry in Metro Phoenix and Chandler. Staff enjoys participating on this team in several capacities. One is on the planning committee for BIO2005, the biotechnology trade show being held in Pennsylvania in June 2005. Staff also participates in the Biotechnology Statewide Marketing Team, which has been charged with creating a marketing campaign and tag lines for the State's overall bio marketing program. This marketing group is providing an excellent opportunity for Chandler staff to have input in how the State's biotechnology marketing program is developed. Staff will continue to contribute as a member of this team and will participate in ongoing meetings to assist in the location of additional companies, workforce and technology.

Staff continues to participate with the "101 Science and Technology Corridor" group, a select collection of colleagues in the East Valley who are all charged in the bio recruitment effort and have borders that are along the Loop 101 Freeway. This team has identified the section of the 101 Freeway from North Scottsdale through the Intel Ocotillo campus in Chandler as the "Science and Technology Corridor" and is working in a joint effort in the marketing and identification of this unique area. The group intends to launch this shared effort tag line to the media early in 2005.

Biotechnology: Staff continues to participate in the "Arizona Biotechnology Association (ABA)" breakfast program each month to further enhance Chandler's visibility in this arena. This quarter's topics included a presentation of one of Chandler's own companies, Cynexus, a biotherapeutics company that has "spun out" of ASU's Technopolis program. While Cynexus is a fascinating company, it continues to drive home the need for speculative biotechnology space in the Chandler market. Staff is working with Cynexus on potential expansion but is having great difficulty on finding incubator space available in our market. Staff has



approached several speculative developers in this market who may entertain the idea of constructing bio/high technology incubator space and has met with several favorable responses. This topic remains at the height of importance to the Economic Development team to ensure the ability to grow our emerging bio cluster.

Chandler Chamber of Commerce / Retention and Expansion Visits: The Chandler Chamber of Commerce and Economic Development again participated in the new Retention and Expansion program, known as B3, this past quarter. This program adds information collected in Chandler to a statewide R&E database to allow analysis of business information at a statewide level. The Chamber set a goal of 50 visits by December 31, 2004, and 100 visits by the end of the fiscal year. To date, the total number of visits is approximately 20.

Greater Phoenix Economic Council (GPEC): Staff continued to represent the City at various GPEC functions, including industry committee meetings and the Economic Development Directors Team (EDDT) meetings. Staff is working on the planning committee with GPEC to attend the Medical Design and Manufacturing trade show (MD&M) in California next quarter. During the 2nd quarter, staff responded to a total of 16 prospect information requests from GPEC with site information. Staff is also working with two prior quarter GPEC prospect information requests, and will continue to provide information to these companies through GPEC.

Staff, along with several members of the City Council and City Management, toured the new Verizon facility in West Chandler. This tour was a culmination of a year-long relationship initiated by GPEC in a team effort to bring this company and 1,100 jobs to Chandler.

Maricopa Association of Governments (MAG): Staff has been invited to participate on the new Planning Stakeholders Committee that has been formed by the Regional Development Division of MAG. The committee includes planners and economic developers from the cities, towns, Indian Communities and the County. In these meetings, MAG staff briefs the Stakeholders Group on current and proposed MAG projects, and provides presentations and discussion for topics of interest to the group. The discussions include commute times/traffic issues, affordable housing and job/employment areas in the Metro market.

Staff also continues to work in conjunction with MAG in finalizing an employer database to accurately track the jobs available in Chandler. This information will, for the first time, be able to correctly analyze the jobs per citizen ratio in our market. This project is forecasted to be completed in summer 2005 to allow ample time for precise information gathering.

Chandler Industrial Development Authority (CIDA): Staff continues to work with CIDA to further efforts of manufacturing companies to either locate in Chandler or expand existing facilities. During this quarter, staff has completed a Web page on



the Economic Development portion of the City Web site that accurately depicts the services offered by the CIDA. Staff is also working on a direct mail campaign that will be sent out next quarter to 150 existing Chandler companies offering the benefits of several state, Maricopa Workforce and city programs, including the Industrial Development Authority.

Chandler Enterprise Zone: Staff continues to market the Chandler Enterprise Zone through contact with prospective and existing companies, especially during the new B3 Retention and Expansion program. Staff also plans on including the Chandler Enterprise Zone in the above-mentioned direct mail being sent to existing companies during the next quarter. Staff expects interest in the program to accelerate with the advancement of development in the Airpark Area, most of which is located in Chandler's Enterprise Zone.

Business Assistance Programs: Staff continues to market available business assistance programs to prospective and existing Chandler businesses. Staff met this quarter with a representative of the Maricopa Workforce Connection to discuss On-The-Job Training Grants as well as an exciting new employee-training grant program that is to be funded through the Maricopa Workforce Connection. The representative has since completed brochures that staff will include in the direct mail campaign planned for next quarter to alert existing companies as to the benefits this program may hold for them.

Broker/Developer Presentation Program: Staff attended seven broker presentations during the 2nd quarter and presented to nine developers who are interested in Chandler for future projects, several of which are in negotiations for land sites. Staff toured six different groups of broker/developers through Chandler, allowing them to identify potential future opportunities for their clients. Staff continues to see the benefit of this program with the brokerage and development community who now frequently contact the Economic Development Division to assist with providing good customer service to their clients.

Tours/Presentations/Prospects: Staff presented to and/or toured 14 potential companies during the 2nd quarter. Two of these companies are existing small Chandler manufacturers who were recently voted among the fastest growing companies in Arizona. One of these companies has since identified a land site and is working through their due diligence at this time. Staff also met with a company who has identified Westech Corporate Center, in North Chandler, as an expansion opportunity and should be submitting for their pre-technical review during the next quarter. Staff also met with several other companies who have now short-listed specific sites in Chandler. Staff will continue to work with these companies to ensure a positive outcome.

Staff also gave a virtual tour to a development representative from Cox Business Services to identify sites of future development. Staff contacted Cox to conduct the



tour to ensure that high-speed Internet and phone services would be provided in a timely manner as development begins to spike in specific areas.

Speculative Development: As improved land sites in Chandler have been sold at a phenomenal rate, staff has proactively been marketing large land sites to developers to begin construction of new business parks in which companies can locate. Two new business parks were announced this quarter. The first, Crossroads Corporate Center, will be located at the northeast corner of Loop 101 and Loop 202. This 40-acre business park will include both office and industrial space. The second project is a 55-acre land site at the southwest corner of Stearman and Germann. This project, at the northeast end of Chandler Municipal's runway is owned by First Industrial, a well-respected and national recognized developer and will include employment/industrial speculative space as well as lot sales.

Industrial / Office Locates

Staff attended the grand opening of the new 190,000 square foot Verizon Wireless customer care facility on 56th Street just south of the new Loop 202. This consolidation space is a combination of the regional corporate headquarters formerly housed in Phoenix, a customer care facility formerly housed in Tempe and expansion of Verizon's presence in the state. Upon touring the facility, staff found a very notable facility that includes beautiful office space as well as a cafeteria and fitness center for employee use on site. Staff was extremely impressed with this new facility.

<u>Countrywide Financial Services.</u> GPEC began working originally on this prospect during 2001, with Chandler being short-listed in 2002. The first phase, and at that time the only phase, of this project was located during FY02-03. Since that time Countrywide's Loan Servicing Center has experienced phenomenal growth and came forward during this past year with a national search for an additional three phases of the project. Countrywide has chosen to locate their 2nd phase of their new loan servicing center at the existing Chandler Commons project at Chandler Boulevard and Ellis Street. The 2nd phase reports at 69,000 square feet, for a current total of 149,000 square feet. Countrywide has plans to expand this project to nearly 500,000 square feet during the next five years. Phase II has added 350 new jobs in the market. The 2nd phase is estimated to bring a capital investment of more than \$9.9 million. Tenant improvements are nearing completion with occupancy scheduled for spring.

<u>Closet World.</u> The project is a complete home organizing service that visits with clients, designs organizational structures for the home or office and then manufactures the design at the manufacturing/warehouse prior to implementation into the residence or office. Closet World chose to expand into 40,000 square feet of an existing building on Frye and Bracken in the Price Road Industrial Park due to the rapidly expanding home market in the East Valley. This company, based out of



Whittier California, added 40 jobs into the market with a total capital investment of more than \$1.4 million.

<u>DermaCare Inc.</u> DermaCare, specializing in anti-aging research and skin care has chosen the Price-Warner Medical Center at Warner and Price Road to start-up a new subsidiary of this company in 1,900 square feet. Employment expansion is planned in the near future, starting out with 7 doctors, RN's, estheticians and support staff and a capital investment of \$380,700.

Banner Health. The company has chosen to expand the distribution component in 79,000 square feet of the former Avnet distribution building in West Chandler due to its close proximity to Interstate-10. Banner will create 75 jobs to start in the existing building and brings nearly \$4.4 million in capital investment into the market.

<u>Conway Real Estate.</u> Conway, a commercial and residential real estate brokerage firm, had outgrown its existing space in Mesa, and chose the new Focus Corporate Center in which to relocate and expand into 1,850 square feet. Conway Real Estate is now operational in this building and has added 12 jobs to our employment base bringing nearly \$260,000 of capital investment.

<u>Shunda Home Furnishing.</u> Shunda is a wholesale home furnishing company that ships components in from around the world, assembles them on site and then completes the wholesale transaction to retail furniture and home stores. Shunda had outgrown their facility in Tempe and chose Ryan's Chandler Freeway Business Park in which to relocate and expand into 15,280 square feet of warehouse and showroom space. This relocation will add 35 jobs into the Chandler market and brings a capital investment of \$905,000.



The following tables represent 2nd Quarter numbers for the industrial/office recruitment and expansion program:

Industrial/Office Leads 2nd Quarter FY 04-05

Leads	Year-To-Date Contacts	2nd Quarter Contacts
TOTAL LEADS	102	51
Basic Manufacturing	31	9
High Tech Manufacturing	9	7
Distribution / Warehouse	7	4
Research & Development	0	0
Data Center	2	1
Office	20	11
Back Office	11	5
Biosciences	2	1
Aviation	5	5
Development	5	5
Other	10	3

Industrial/Office Prospects 2nd Quarter FY 04-05

Prospects	Year-To-Date Contacts	2nd Quarter Contacts
TOTAL PROSPECTS	40	16
Basic Manufacturing	3	1
High Tech Manufacturing	4	1
Distribution / Warehouse	12	3
Research & Development	0	0
Data Center	1	0
Office	7	4
Back Office	2	2
Biosciences	0	0
Aviation	2	1
Development	4	4
Other	5	0



Industrial/Office Locates 2nd Quarter FY 04-05

Name	Locate Quarter	Estimated Employment	Estimated Square Feet	Estimated Cap. Invest.
			•	•
Floratech Industries	1st	32	60,825	\$5,311,350
Day One	1st	5	2,000	\$150,000
Geotherm	1st	7	2,500	\$180,000
Praxair, Inc.	1st	30	22,080	\$1,561,050
First Credit Union	1st	250	102,000	\$11,000,000
Shunda Home Furnishing	2 nd	35	15,280	\$905,000
Conway Real Estate	2 nd	12	1,850	\$259,500
Banner Health	2 nd	75	79,050	\$4,371,900
DermaCare	2 nd	7	1,900	\$380,730
Closet World	2 nd	40	40,550	\$1,407,300
Countrywide Financial – Phase 2	2 nd	350	69,000	\$9,935,000
2nd QTR TOTAL		519	207,630	\$17,259,430
YEAR-TO-DATE 04-05 TOTAL		843	397,035	\$35,461,830

Source: City of Chandler, Economic Development Division



4.0 DOWNTOWN REDEVELOPMENT

DOWNTOWN MARKETING ACTIVITIES

Economic Development staff identified 12 new prospects for Historic Downtown Chandler during the 2nd quarter.

The following lists specific downtown redevelopment activities during the 2nd quarter:

Marketing Activities. A new updated version of the Business Directory for Historic Downtown Chandler was distributed to all downtown merchants, library branches, the Chandler Information Kiosk at the mall, the Community Center, convention and visitors bureaus throughout the state, Chandler hotels and included in downtown marketing packages. A modified version of the business directory was developed as an ad that appears monthly in the Ocotillo News courtesy of 1st National Bank of Arizona, who sponsors the ad. This ad lists all of the downtown retail and restaurants along with the map of Historic Downtown Chandler.

A new cooperative ad started appearing monthly during the 2nd guarter in the Sun Lakes Sun Splash. The ad is similar to the full-page cooperative ad that runs monthly in the Ocotillo News that features 8-10 downtown businesses' ads on one page entitled Historic Downtown Chandler. An ad for Historic Downtown Chandler was placed for the first time in the December issue of the Arizona Tourist News. Arizona Tourist News is distributed statewide to hotels, convention and visitors bureaus, chambers of commerce, attractions, etc. Two more ads are planned for the months of January and February to promote Historic Downtown Chandler These ads are placed as a part of Economic Development's special events. Tourism promotion. A full page was dedicated to Chandler along with an ad placed by the Bistro at Kokopelli Winery. Also, a cooperative ad continued in the Ocotillo News and ads were designed and placed in the East Valley Tribune, Ocotillo News and Chandler Independent to promote the Day of the Dead special events for Historic Downtown Chandler and the Holiday celebrations with the Tumbleweed Tree Lighting Festival and Parade.

For this year's holiday season, staff had new holiday banners designed and placed throughout Historic Downtown Chandler and on the west side of Dr. AJ Chandler Park. Also, a partnership was formed between the City of Chandler, Arizona Public Service and the Downtown Chandler Community Partnership to install additional holiday lights throughout downtown. The City's Parks division installed more than 40,000 additional lights for the holiday season.

Staff was interviewed for a segment to be aired on the Chandler Unified School District's public television station to discuss the current and future developments for Historic Downtown Chandler. The discussion will air during the 3rd quarter.



As a result of advertising and press releases, numerous positive articles and event announcements were printed in local and statewide newspapers about Historic Downtown Chandler during the 2nd quarter.

Special Events. Staff met with *East Valley Tribune* representatives to assist in planning the Taste of Historic Chandler event that was held in mid-October in various restaurants throughout downtown. Approximately 100 people attended the event that raised money for My Sister's Place. The East Valley Tribune plans to have this become an annual event in Historic Downtown Chandler and expects it to grow. This year's attendance was much lower than expected due to coinciding with the Presidential debate that was held in Tempe.

Staff coordinated with the organizers of Raku Night to help promote their annual event. This is an evening event where people attend a dinner and learn how to make raku pottery. The event is growing every year and the organizers would like it to grow into a much larger event next year.

Also, the Day of the Dead event continues to grow in popularity and was bigger than ever this year. The Vision Gallery organizes and hosts this successful event with more than 500 people attending. Another very popular event held at the Vision Gallery is the Holiday Masterpiece where people come to bid on the fully decorated trees in the gallery and then attend the Tumbleweed Tree Lighting Festival and Parade of Lights. Unfortunately, this year the parade was cancelled and the lighting ceremony postponed due to rainy weather. Staff placed advertising to promote these two events taking place in Historic Downtown Chandler.

The Farmer's Market continues each Thursday from 3-6 pm with live music and artists displaying their latest creations.

Staff began planning for special events that will take place during the 3rd quarter. Letters were sent to artists to invite them to participate in the events, ads were designed for placement and live entertainment was contracted for the events.

Fliers and calendars of events were designed and distributed throughout the 2nd quarter to promote the special events taking place in Historic Downtown Chandler. Banners are placed in Dr. AJ Chandler Park to encourage people to stop and explore the downtown area and attend special events. The calendar of events was updated throughout the quarter and placed on display in the information kiosk located at the intersection of San Marcos Place and Commonwealth. Reprints of the calendar were distributed to local businesses, the Chandler Information Kiosk at the mall, Chandler Public Library branches, Community Center, clubhouses in Sun Lakes, and downtown merchants to display in their businesses. The calendar of events is updated every two months to inform residents and visitors of events taking place in downtown.



Conferences and Tradeshows. Staff attended the International Council for Shopping Centers (ICSC) tradeshow in October to promote the retail and redevelopment opportunities available in Historic Downtown Chandler. Staff has found a growing trend at the ICSC tradeshows of developers becoming more interested in downtown redevelopment projects. Staff is developing a list of interested developers for future requests for proposals for Historic Downtown Chandler.

Staff attended the annual International Downtown Association conference. The conference was centered on the redevelopment of downtowns and what various cities and organizations are accomplishing in improving their downtowns. The conference consisted of a series of seminars that ranged from organizational development, attracting new development, investment and business, marketing and capital improvements. More than 1,000 professionals working on downtown projects attended the conference.

Merchant and DCCP Meetings. Staff continues to work with the merchants to partner in advertising and promoting their businesses and Historic Downtown Chandler. The new business directory brochure has all of the downtown merchants listed in the piece with a map to show the business locations. Economic Development staff met with downtown merchants to discuss marketing strategies for Historic Downtown Chandler and their businesses. The merchant meetings have served as a venue for discussion of cooperative advertising, events and current and planned capital improvement projects. Staff continues to attend the monthly Downtown Chandler Community Partnership meetings and update the DCCP on current and upcoming projects and marketing for Historic Downtown Chandler.

Capital Improvement Projects. Economic Development staff continues to work with other departments in the City to coordinate capital improvement projects within the historic district and Olde Towne Market Square. The City Council approved a capital improvement project for downtown that will cover City-owned vacant property with decorative granite. The project will mitigate potential dust issues in the area as well as improve the appearance of the vacant properties. The project will be complete at the beginning of the 3rd quarter.

Staff continued to attend meetings regarding the Arizona Avenue and Chandler Boulevard road expansion project. The project is scheduled to begin in the late spring and will dramatically improve the flow of traffic on these two arterial streets through the downtown area.

Redevelopment Projects. Staff continues to work with the developers on Site 7 for the mixed-use project that will incorporate residential, retail and office. The much-anticipated Groundbreaking for the project was scheduled for January 10, 2005. The project is key to the redevelopment of Historic Downtown Chandler and is anticipated to spur additional redevelopment in the area. Construction for the first phase is anticipated to begin within days of the Groundbreaking. The first phase of



the project will include approximately 54 town homes and mixed-use commercial along Arizona Avenue in its second phase. The town homes will be built on the block encompassed by Chandler Boulevard, and Colorado, Buffalo and Washington Streets. The town home project has been named 123 Washington at Historic Downtown Chandler. Staff continues to work with the developer on this exciting project.

The master conceptual plan for the redevelopment of Sites 1, 2 and 3 was approved by City Council early this fiscal year. The project is planned to cover three blocks that are encompassed by Dakota Street, Chandler Boulevard, Arizona Avenue and Buffalo Street. The planned redevelopment project includes approximately 60 - 80 urban-style residential units and more than 200,000 square feet of office and retail along with a public parking garage for the project and downtown area. A series of meetings were held during the 2nd quarter to identify existing utilities on the site and to plan for new utility corridors to service the site. This project coupled with the Site 7 redevelopment project along with the expanded Chandler High School Campus and the City of Chandler's road widening project will dramatically transform the intersection of Chandler Boulevard and Arizona Avenue.

Downtown Improvement Fund. Staff continued to promote the Downtown Improvement Fund (DIF) to prospective tenants of Historic Downtown Chandler. The DIF brochure is a part of the marketing packet designed for downtown. Mind Over Splatter was approved to receive a DIF grant during the 2nd quarter. It was the seventh business to receive approval for matching grant funds from the Downtown Improvement Fund. Mind Over Splatter will provide a bright, cheerful, relaxing environment where patrons can express their creative talents. It will also be open to displaying local artists' work for show or purchase on consignment, offer gift items and be open for special event celebrations such as birthdays, showers, anniversaries, corporate events and other events.



DOWNTOWN PROSPECT ACTIVITY

There was steady interest from quality prospects during the 2nd quarter of FY 04-05. At the end of the 2nd quarter, the historic square was fully leased.

Downtown Prospects 2nd Quarter FY 04-05

Prospects	YTD Contacts	2nd Quarter Contacts
TOTAL PROSPECTS	27	12
Restaurant	5	2
Specialty Retail	10	4
Amusement / Entertainment	1	0
Office	7	3
Other	4	3

Source: City of Chandler, Economic Development Division

DOWNTOWN NEW BUSINESSES AND EXPANSIONS

The Cottage, a crafts and boutique specialty shop, opened for business in Olde Towne Market Square during the 2nd Quarter. They will also offer arts classes for painting, drawing, and others.

The Hotel Chandler addition will be under construction during the 3rd Quarter. The new, two-story building will create approximately 4,700 square feet of additional space for retail and office use and will assist in attracting more customers to the shops on Boston Street. Also, Guedo's Taco Shop expansion plans to be under construction during the 3rd Quarter.

During the 2nd Quarter, Timbuktu consolidated its retail area into one storefront at 58 South San Marcos Place. Mind Over Splatter then leased the space formerly occupied by Timbuktu at 64 S. San Marcos Place. Also, the historic Rowena Theatre building was sold and is planned to become di Sciacca, a specialty retail shop that will offer exclusively designed mouth blown glassware, unique ceramics and hand built Chinese furniture pieces. With the purchase of the Rowena Theatre and its plans for di Sciacca, the historic square was fully occupied at the end of the 2nd Quarter.



5.0 TOURISM DEVELOPMENT

TOURISM ACTIVITIES

During the second quarter, staff participated in five sales missions, attended the Arizona Office of Tourism's *Arizona Showcase* in Hermosillo, Mexico and generated 6,248 tourism leads for Chandler. Staff also hosted two travel writers during the second quarter to facilitate future stories about Chandler, which will appear in future issues of *AZ Tourist News* as well as Canada's National newspaper, *Globe and Mail*. The following details tourism activities during the second quarter:

Advertising: During the second quarter, staff continued to work with the Tempe and Mesa Convention and Visitors Bureaus (CVBs) and the town of Apache Junction with the implementation and expansion of the Sunny Arizona regional campaign supported by the Teamwork for Effective Arizona Marketing (TEAM) Grant. This East Valley Consortium has developed a comprehensive, multi-layered marketing approach to promote the area as a preferred travel destination for American Automobile Association (AAA) and Canadian Automobile Association (CAA) members coming to Arizona. Advertisements for the Sunny Arizona program were placed in 11 AAA/CAA bi-monthly publications throughout the Midwest, Pacific Northwest, California, and Western Canada, and will run for six months. The initial ad appeared in the first quarter with the September/October issues and will continue for the next two consecutive issues ending with the January/February 2005 issue. While ads are appearing in eleven publications, only seven of the publications offer a reader response card service to track leads generated.

Last year, the *Sunny Arizona* program resulted in more than 8,000 leads. This year, due to the expansion of the program into the Pacific Northwest, Western Canada, and California, a mailing warehouse will be used to facilitate lead fulfillment. During the second quarter, 4,538 leads were generated from this program. Fulfillments of the bulk mailings included a visitor guide of Apache Junction, Chandler, Mesa, and Tempe.

<u>Publication</u>	<u>Issue</u>
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November/December Home & Away Michigan Living November/December Midwest Traveler November/December Ohio Motorist November/December Via (No. CA, NV, UT) November/December November/December Via (OR, ID) Western Journeys November/December Westways November/December Westworld BC November/December Westworld AB November/December November/December Westworld SK



Collateral Materials: This quarter, 45,000 copies of the 2005 edition of Chandler Scene: The Official Visitors Guide to the City of Chandler were printed with the addition of the new Shop Chandler Discount Pass Card. The Shop Chandler discount pass is designed to be an added value for participating advertisers of the guide as well as a call to action for visitors. The Shop Chandler discount pass was also distributed to Chandler residents as an insert in their City of Chandler October utility bill. Launch of the 2005 Visitors guide and the Shop Chandler discount pass resulted in three articles in local papers drawing attention to the program resulting in 121 phone requests from Chandler residents and neighboring communities as well for their own Shop Chandler discount pass card.

Sales Missions: Sales missions are essential to tourism development and provide the opportunity to educate travel agents who have an impact on where visitors go on their vacations. Staff continued to participate in the *Sunny Arizona* trips where product destination seminars were provided to 1,975 AAA travel agents throughout 205 offices. The seven trips on the *Sunny Arizona* regional campaign resulted in contact with a total of 240 offices throughout two provinces, 10 states, and reached a total of 2,299 agents. A brief summary highlighting the major cities involved, year to date:

Western Canada
August 22-27
Alberta (Calgary and Edmonton)
British Columbia (Greater Vancouver)
22 Offices, 246 Agents

Minnesota September 27-30 Minneapolis, St. Paul 13 Offices, 78 Agents

Michigan
October 10-15
Detroit, Flint, and Muskegon
26 Offices, 275 Agents

Wisconsin, Illinois, Indiana, and Missouri
October 24-29
Milwaukee and Madison
Greater Chicago
Merrillville
Greater St. Louis
28 Offices, 211 Agents



Northern California November 14-18 Fresno, San Francisco, and Redding 66 Offices, 445 Agents

Southern California November 28- December 2 San Diego, Los Angeles, and Palm Springs 61 Offices, 822 Agents

Washington/Oregon
December 12-17
Bellingham, Seattle, Portland, and Eugene
24 Offices, 222 Agents

Trade Shows, Conferences, and Media Events: Staff participated in the seventh annual Arizona Showcase in Hermosillo, Mexico over the dates of October 6th and 7th. The showcase comprised two trade events that attracted 79 travel agents and a consumer event that was attended by over 800 people. The response from both the consumers and the travel agents was positive and created more interest in Chandler as a final destination when visiting the Greater Phoenix Valley.

Internet Marketing: Important to the Sunny Arizona campaign are the two internet sites www.VisitSunnyAZ.com, for leisure visitors, and www.SellSunnyAZ.com, for AAA travel agents and member representatives. The www.VisitSunnyAZ.com website featured in the AAA/CAA publications has prompted 7,271 web visits year to date. The www.SellSunnyAZ.com site marketed to AAA/CAA agents has prompted 504 web visits through the end of the second quarter. The web statistics for these two sites follows:

	Year to Date Web Visits	2 nd Quarter Web Visits
www.SellSunnyAZ.com	813	504
www.VisitSunnyAZ.com	7,271	4,301



LEADS

Following is a breakdown of all of the lead sources from the 2nd quarter and lead categories for year-to-date:

Tourism Lead Sources 2nd Quarter FY 04-05

Source of Leads	YTD Leads	2 nd Quarter Leads
AZ Vacation Guide – Spring Insert 04	1,912	0
Midwest Living	1,091	808
PHXplorer – Fall 03	5	3
Sunset	1,476	767
www.VisitChandler.com	168	103
Tour Operators	4	4
Travel Agents	18	15
Meeting Planners	151	6
Media Professionals	4	4
Other	0	0
Sunny AZ Campaign		
www.VisitSunnyAZ.com	745	648
Home & Away	2,018	1,452
Michigan Living	463	221
Midwest Traveler	624	368
Via (No. CA, NV, ID)	228	178
Via (OR and ID)	119	96
Western Journeys	575	412
Westways	1,652	1,163

Source: City of Chandler, Economic Development Division

Tourism Leads By Category 2nd Quarter and YTD FY 04-05

Leads	YTD Contacts	2 nd Quarter Contacts
Total Leads	11,253	6,248
Leisure Visitors	11,076	6,219
Travel Agents	18	15
Tour Operators	4	4
Meeting Planners	151	6
Media/Travel Writers	4	4

Source: City of Chandler, Economic Development Division